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17 October 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SOVIET UNION

1. Evangelical Synod believes USSR changes strategy regarding Germany: The All-German Evangelical Synod at a recent conference reached the conclusion that the Soviet Union is no longer trying to prevent remilitarization of Western Germany, but is now attempting to break up NATO and to establish a neutral third force in Europe as a price for a unified Germany and Soviet withdrawal from the Eastern zone. The consensus of the conference, [REDACTED] was that the USSR was willing to compromise its original position because of its own security needs and to prevent NATO from extending its area of operation to the Oder-Neisse line. 25X1

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Comment: It is highly doubtful that the Soviet Union is contemplating the establishment of a third force in Europe as the price for a unified Germany. The church's analysis, however, reflects the extent and effectiveness of Soviet propaganda upon neutralist sentiment within the Evangelical Church due to its large representation in East Germany.

2. Soviet statistical practices exaggerate economic growth: Until this year official statisticians calculated Soviet national income using 1926 prices of goods and services. In succeeding years every new type of product had to be given a valuation for inclusion in national production and planning statistics, and generally was valued according to its price at the time when it first went into large-scale production. Owing to the gradual inflation of the ruble, this meant that every new product was overvalued in terms of those already in production in 1926 and that official statistics progressively exaggerated the growth

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of national production and the achievements of the five-year plans.

Reduction of prices of industrial and consumer goods this year and last have caused Soviet statisticians to shift to the use of prices prevailing on 1 January 1952 and to permit readjustments to allow for subsequent price changes. [REDACTED]

25X1

Comment: Soviet official statistics showed an annual economic growth rate of about 16 percent during the prewar decade 1928-37. Independent statistical analysis by US economists suggests that this is at least twice the actual rate of growth, and that similar exaggeration, though to a much lesser extent, is embodied in current official figures..

EASTERN EUROPE

3. Franco-Polish trade agreement signed: Poland and France signed a one-year trade agreement on 13 October, involving an estimated total trade in each direction of \$20,000,000, [REDACTED]

25X1

[REDACTED] Under the agreement, which is retroactive to 1 July, France has reduced her proposed exports of aluminum ingots from 150 to 50 tons, and has reduced ball bearing exports from \$857,100 worth, as proposed previously, to \$800,000, of which approximately \$134,000 worth are International List I bearings supposedly intended for use in French busses and trucks in Poland.

In addition to this small quantity of embargoed goods, France will export 350 tons of aluminum semi-manufactured products, \$971,000 worth of machine tools, as well as non-embargo type tires, steel and steel sheets, thermic equipment, electric motors, radio and mechanical equipment, and measuring instruments.

French coal imports from Poland are reduced in the agreement from the proposed 300,000 tons to 250,000 tons. Polish exports to France also will include corn, cereals, sugar, butter, pit props, timber, and wood pulp. (S Paris 2309 and 2318, 15 Oct 52)

Comment: Negotiations for this agreement started at the end of June, when the previous trade agreement expired.

The current agreement involves an increase over last year of \$142,800 worth of bearings, but a simultaneous decrease of 350 tons, or 50 percent, in the export of aluminum semi-manufactures. In addition, ferro-nickel is not included this year as a French export to Poland. The 100 ton reduction, from previous

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proposals, in aluminum ingot exports, which are subject to quantitative control by the US, makes the current commitment in this commodity equal to that of last year.

Imports of Polish coal are decreased under this year's agreement by 300,000 tons. On the other hand, sugar, corn, wood pulp, and pit props are new items among Polish exports to France.

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FAR EAST

4. Possible shift in Japanese Government policies indicated: Ambassador Murphy reports that the Japanese Government appears to be deviating from its earlier position on several issues. He notes that there has been considerable recent press publicity on moves toward rearmament, on the possibility of further relaxation of restrictions on trade with Communist China, and on a prospective Japanese request to amend the criminal jurisdictional aspects of the Security Treaty with the United States. Additionally, the intention of Finance Minister Ikeda, who favors conservative financial policies, not to remain in the next cabinet has been leaked to the press.

Murphy comments that these four items have been the major issues on which the opposition and the Hatoyama factions of the Liberal Party have attacked the Yoshida government. He believes that the press publicity may be a tactical move on Yoshida's part to attract more support from within the Liberal Party, but may be indicative of future policies. (C Tokyo 1230, 15 Oct 52)

Comment: Prime Minister Yoshida's pre-eminent position in the previous government enabled him to adopt policies in the face of criticism from both the opposition and his own party. In his present weakened situation, he may be forced to take a less equivocal stand on these four issues which form the basis of attacks against his administration.

5. Anti-American sentiment in Japan expected after Korean court decision on boat seizure: Ambassador Murphy reports that some measure of anti-American feeling can be expected in Japan if and when South Korean courts convict Japanese fishermen involved in the 2 September seizure of a vessel allegedly trespassing Korean waters. Owners of the seized vessel, who insist the incident took place outside the three-mile limit, believe the verdict will be strongly influenced by prevailing South Korean anti-Japanese feelings. (R Tokyo 1244, 16 Oct 52)

Comment: Anti-Japanese sentiment has mounted steadily in South Korea since the seizure incident. Korean authorities have interpreted the establishment of the Sea Defense Zone as UN backing in their efforts to eliminate Japan's fishing operations off the Korean coast.

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6. Communist China to undertake five-year plan: The Chinese Communists have decided to initiate a five-year plan in January 1953, [REDACTED]

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[REDACTED] The plan, expected to be fulfilled in four years, reportedly has four main objectives: food production, construction of heavy and light industries, development of mineral resources, and the extension of communications. [REDACTED]

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Comment: Although Peiping has not announced a five-year plan, a 1 October Pravda article stated that such a plan was being prepared. The specific goals set up in the plan have not been disclosed, but they undoubtedly envisage a continued expansion of industrial output.

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7. [REDACTED]

[REDACTED] the uranium ore being airlifted by the Russians from Tibet is richer than the 0.7 percent Indian material in Bihar. This airlift is supposedly being made from the new Shigatse airfield, west of Lhasa on the Brahmaputra River. (C New Delhi Desp 586, 28 Aug 52)

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Comment: [REDACTED] the Russians or Chinese Communists are mining uranium deposits in Tibet. Survey parties have been rumored to be looking for uranium deposits in western Tibet.

NEAR EAST - AFRICA

8. Mossadeq decides to break with Britain: Prime Minister Mossadeq's announcement that his government was "unfortunately obliged" to break diplomatic relations with Britain presages little significant change in the immediate future. A continuing deadlock in the oil issue will generate pressure for more drastic social and economic reforms.

While the Prime Minister's arbitrary action in announcing the break to the nation rather than to parliament was reportedly due to his inability to obtain a quorum in the Majlis, it may foreshadow a more autocratic attitude on his part. (Factual data from: U AP Tehran, 16 Oct 52)

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9. Arab Communist may become adviser to Saudi Arabian Prince: Mohammed Nimr Awdah, Palestinian Arab Communist, is scheduled to leave for Saudi Arabia soon to become an adviser to Prince Abdulla, brother of King Ibn Saud. The source of this report states that Awdah is well-known as an organizer of demonstrations among the Arab refugees. Jamal Husseini, cousin of the notorious ex-Mufti of Jerusalem, allegedly asked that Awdah hasten his departure for Saudi Arabia.

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Awdah was involved in a recent strike of Arab refugees in Lebanon. He is believed to have the support of the ex-Mufti's "Arab Higher Executive" there. (S Beirut 770, 14 Oct 52)

Comment: Because of Saudi Arabia's known antipathy to Communism, it is unlikely that any members of the royal family are aware of Awdah's political affiliation other than his friendship for the ex-Mufti's cousin. Should Awdah be installed in Riyadh, he would be in a position to exert anti-Western influence on the Saudi Arabian Government.

10. Tunisian situation static at opening of UN General Assembly: The French Residency General in Tunisia considers that nationalist plans for a general strike on 14 October as a political gesture for the opening of the UN General Assembly were frustrated, not only by the announced intention of the administration to prosecute merchants who failed to open their shops but also by the unpopularity of political strikes among tradesmen.

Sabotage and acts of violence have increased slightly in the past few days, but the French believe that the nationalists are hesitant to launch a series of coordinated incidents. Political activity is concentrated in northern and central Tunisia, and apathy dominates the rest of the country.

Persistent police action has virtually halted Communist activity. (C Tunis 135, 14 Oct 52)

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11. [REDACTED] warns of Indian influence: The embassy official of the threat to Africa posed by Indian actions. He feels that if the Arab-Asian bloc led by India wins in the United Nations, the white man will be pushed out

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of Africa and the entire continent will fall under Indian domination because neither white nor black can compete against the Indian population growth, shrewdness in business or low standard of living. (C Pretoria 179, 22 Sept 52)

Comment: Such an opinion by a moderate civil servant illustrates the deep concern felt in South Africa about the Indian problem. It supports the belief that neither the government nor the white electorate in general will permit the non-Europeans to acquire more economic or political power.

If the Arab-Asian bloc is successful in its attempt to have the General Assembly launch an investigation of South African racial policies, it will become increasingly probable that similar investigations and intervention may be started about the racial situations in both British East and Central Africa within the next few years. If such intervention weakens white domination, the Indians could strengthen their position in British East Africa, where they are an important minority.

12. Nigerian leader to visit Arab-Asian bloc countries:
According to a Lagos newspaper, Obafemi Awolowo, leader of the Action Group Government in the Western Region of Nigeria, will depart on 23 October for a visit to the Sudan, Egypt, Pakistan, Ceylon, India and Ethiopia. While in India, he will be the guest of Prime Minister Nehru. (U Lagos Dept 64, 10 Sept 52)

Comment: During the past year Awolowo has replaced Dr. Azikiwe as the dominant figure in Nigerian politics. The specific motives for his grand tour are not yet known, but he may try to build up outside pressure for more native self-government in Nigeria as well as obtain tactical advice from old nationalist hands like Nehru.

13. Gold Coast to build new port for aluminum project: The Gold Coast Assembly has approved the financing of a 21,000,000-pound port project at Tema, near Accra. The new port will service the Volta River hydroelectric and aluminum scheme, approved last April. (U Accra Desp 36, 16 Sept 52)

Comment: The port of Tema and the Volta River scheme are major parts of the Gold Coast's African government

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development program. Successful implementation of this program will contribute to the political and economic stability of this one-crop country, and local processing of its bauxite will help fill the West's needs for aluminum.

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WESTERN EUROPE

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15. Austria to seek observer status in CSC Assembly: The Austrian Cabinet, in response to suggestions made by French Deputy Foreign Minister Maurice Schumann on the occasion of his recent visit to Vienna, has decided to ask to send an observer to the Coal-Steel Community Assembly. (C Vienna 1044, 15 Oct 52)

Comment: The Austrian Government has long considered establishing some link with the coal-steel pool. Initial Austrian approaches, however, were discouraged by the French on the grounds that the accrediting of an Austrian representative to a supranational body would be difficult. The French have apparently held heretofore that Austrian ties with the West would jeopardize chances for an Austrian treaty.

16. Key USIA official reportedly removed from office: The director of the Central Commercial Bureau of Soviet Enterprises

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in Austria (USIA) has reportedly been removed from his position and his activities are now being investigated. A Soviet citizen of Austrian birth, he is described as professionally incompetent, but a zealous Communist who obtained his position after accusing his predecessor of malfeasance.

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Comment: The reported dismissal of the commercial director coincides with reports of increased financial difficulties within the USIA complex.

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17. Dissidence among the Nenni Socialists reported: A motion demanding a denunciation of their party's unity of action pact with the Communists was sent to the directorate of the Italian Socialist Party (PSI) by some 50 party leaders who held a secret meeting on 12 October, according to the newspaper Il Tempo.

The American Embassy in Rome first reported that this group would announce its defection from the PSI, but then indicated that the move would be postponed. Such a defection would probably not materially affect the party's rank and file. The Embassy believes that the dissatisfaction within the PSI may be a reaction to the changing power relationships of the East and West and also due to the feeling that the law of diminishing returns may apply to the benefits derived from PSI alliance with the Communist Party. (S Rome 1643 and 1732, 10 and 15 Oct 52)

Comment: Periodic reports have indicated considerable dissatisfaction within the PSI over the policy of cooperation with the Communists. This feeling is expected to increase if PSI representation in parliament is drastically reduced under the proposed electoral law.

18. Wide publicity given Italian Cardinal's comments on Protestant activities: Osservatore Romano published in full on 14 October a communication regarding Protestant pastors by Cardinal Schuster, Archbishop of Milan, which first appeared in the Milan diocesan paper. The Embassy feels that the reprint of the Cardinal's communication indicates partial Vatican support.

Cardinal Schuster requested that Italian law be respected, and that freedom of religion be granted especially to foreign citizens, but that "the liberty of apostate priests and friars

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be curbed as their action is directed at distortion of unity of Italians."

The Rome daily paper Il Quotidiano, organ of Catholic Action, also ran the complete text of the Cardinal's communication.
(C Rome 1731, 15 Oct 52)

LATIN AMERICA

19. Plan to depose Colombian Acting President reported: A "strong group of congressmen" wants to depose Acting President Urdaneta of Colombia immediately and elect Rojas Pinilla, Commanding General of the Armed Forces, to replace him, [REDACTED] Titular President Gomez, in retirement because of his health, has proposed that the group postpone action until the formal opening of congress on 20 October, when he will resume his office for one day while congress elects Rojas. [REDACTED] 25X1 25X1 25X1

Comment: There has been considerable discontent within Urdaneta's own party over his failure to control domestic violence.

Rojas Pinilla, deeply concerned over the rising disorders, would probably accept the position of Acting President. As such, he could be expected to undertake a vigorous campaign to crush the guerrillas. Although he is regarded as pro-American, he has suggested privately that because of the domestic disorders, Colombia should recall its battalion from Korea.

20. Argentine-Uruguayan relations deteriorate: [REDACTED] 25X1 [REDACTED] has expressed pessimism over the deterioration in Argentine-Uruguayan relations and has indicated that his government is considering his recall from Buenos Aires. He apparently feels his recall would be desirable, especially since Argentina has not had an Ambassador in Montevideo for over eight months.

[REDACTED] Argentina's long-standing resentment against Uruguay came to a peak when its labor attaches were recently expelled from Uruguay. Since then the Argentine Foreign Ministry had made known its indignation in a number of ways, including restricting travel between the two countries.
(S Buenos Aires 273, 15 Oct 52)

Comment: An important deterrent to good relations between the two countries is Peron's opinion that Argentine exiles are using Montevideo as a center for plotting against his regime.

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He also blames both Uruguay and the United States for the many highly critical radio broadcasts, sponsored by the regional affiliate of the ICFTU, which emanate from Montevideo.

21. Venezuelan Government reportedly plans to bypass presidential election: [REDACTED] the next president of [REDACTED]

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Venezuela will be selected by the forthcoming Constituent Assembly and not by popular election. An election might bring about "movements" by hostile political parties, he said. The informant apparently assumed that Colonel Marcos Perez Jimenez, strong man of the present government, will be the person selected. (C Caracas Weeka 41, 7 Oct 52)

Comment: [REDACTED] reported in mid-September that such a maneuver might take place if the government finds it must exert "considerable control" to win the 30 November Constituent Assembly elections.

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Presumably, the revolutionary junta would prefer not to "re-elect" itself in such an unconventional manner since the country has been led to expect a legally-elected, civilian government. An extralegal election would also run counter to the junta's long-standing desire for "legitimacy" and its wish to maintain a blameless record for the army. However, the junta is determined not to lose power to the opposition.

22. Uruguayan Senate expected to consider Military Assistance Agreement soon: The Uruguay-US Military Assistance Agreement is expected to come before the Uruguayan Senate for consideration very soon, although a bill has been introduced to force submission of the issue to a plebiscite. The plebiscite bill is not considered likely to succeed even by its supporters, but it has given fresh impetus to the propaganda campaign against the agreement. (C Montevideo Joint Weeka 41, 9 Oct 52)

Comment: The principal opposition to Uruguayan ratification comes from the Herreristas, a powerful nationalist minority party, and from the Communists.

Consideration of the agreement on the floor of the Senate has been delayed by prolonged and heated discussions in the Senate Foreign Relations Committee and by the Senate's decision to hold regular sessions only once a week during October.

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NEAR EAST - AFRICA

1. South Africa decries delay in MEDO organization: South African fears of a delay in establishing the military planning organization of MEDO were voiced by the External Affairs Department on 11 October to the American Embassy at Pretoria. It is strongly felt that an effective planning organization should be set up by the end of this year, even if it is only a nucleus which can be expanded if and when the Arab states decide to cooperate.

South Africa believes that the MEDO planning group should be responsible to the military representatives committee, and that body in turn to the member governments. (S S/S Pretoria 97, 13 Oct 52)

Comment: No countries are yet pledging troops to MEDO. Any South African contribution to Middle East defense would be limited to one armored division which is already promised to Great Britain for area defense. Even this division cannot be fully equipped and trained before 1957 without outside aid, and the political situation in the Union might not even permit sending this force.

WESTERN EUROPE

2. French Socialists deny seeking permanent German disunity: French Socialist leaders have stated that their delegates at the International Socialist Congress at Milan will not seek to implement France's traditional anti-German policy by proposing four-power talks with the USSR. They do intend, however, to oppose vigorously the "resurrection of a prewar style Germany" with an unrestricted army "whether in or out of NATO." What they want is a strong EDC political authority capable of talking on equal terms with the US and the USSR, but not one dominated by the Catholic parties of the member countries.

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Ambassador Dunn was assured that French Socialists have "no illusions" about Soviet imperialism or the fact that American armed power has checked Soviet conquest in Korea. European Socialists, they report, are desperately anxious to prevent the conflict there from spreading. (S S/S Paris 2302, 14 Oct 52)

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Comment: [redacted] recently stated that the French Socialist opposition to the EDC treaty had appeared to be hardening in international Socialist discussions preparatory to the Milan congress. This congress, which opens on 17 October, should clarify whether the French Socialist Party as a whole approves the threat of Guy Mollet, its leader, to vote against the treaty in the National Assembly.

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25X1 3. [redacted] clarifies position on state 25X1 treaty: [redacted] has denied to American officials in Vienna that in forthcoming UN debates his government will take the position that a state treaty is unnecessary for the evacuation of occupation troops from Austria. He did not rule out the possibility, however, that some other power might support the view held by the Austrian Government that the liberation of Austria and the reestablishment of its government should have resulted in "automatic evacuation."

25X1 [redacted] reaffirmed his views that only the Austrian Parliament can decide the acceptability of terms in any treaty. The Austrian UN delegation, under his leadership, will support the Brazilian resolution for a resumption of negotiations on the Austrian treaty. (S S/S Vienna 1029, 14 Oct 52)

Comment: The United States has long held that evacuation of Austria without a treaty guaranteeing Austria's national integrity would be extremely hazardous. Reports that some Austrian officials have considered the UN appeal an "election maneuver" and [redacted] recent allusion to a "normalization" of Austro-Soviet relations have caused concern that the Vienna government might be hoping to secure evacuation without a treaty.

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4. Possible drastic shift in Britain's rearmament policy: The prediction by a leading London Conservative daily of a drastic shift in Britain's rearmament policy is generally compatible with NATO Secretary General Lord Ismay's recent classified report suggesting a reassessment of NATO military strategy.

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According to the newspaper, the Churchill government plans to concentrate on a smaller striking force with new type weapons in the belief that Britain's economic strength must have first priority, and that the American atomic stockpile is a sufficient deterrent to immediate Soviet aggression. Ismay's report, which was sympathetically received by other NATO representatives, emphasized that combat-ready forces were more important than large reserves, and that the USSR was not likely to attack soon.

Further NATO consideration of Ismay's proposal was deferred until after the mid-December review of the member countries' capabilities, but the reported shift in British policy is likely to rekindle general interest in a NATO program entailing a smaller economic burden. (Factual data from: TS Paris POLTO A-46, 24 Sept; U London 2220, 15 Oct 52)

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